

FY/06 BUDGET SYNOPSIS

The FY/06 Budget reflects the Administration's priorities to enhance public safety, assure a sustainable water supply and provide increased economic opportunity. It also reflects the priorities of City Council.

Council mandates funded include additional staffing at the Animal Care Center, increase the number of sector plans that are updated in FY/06, funding from the General Fund to support weed and litter eradication efforts in Solid Waste, establishment of a City Forester, and an increase in the number of off leash dog parks. In addition, funding to address prairie dog issues, develop a plan to economically use landfill methane and conduct Transit studies is expanded in response to Council concerns. Council staffing is increased to meet their demand for additional budget analysts.

The proposed budget also fully funds the increases in employee compensation and benefits as determined in the FY/05 budget and negotiated with the bargaining units for FY/05 and FY/06.

The General Fund Five-Year Forecast

The Five-Year Forecast prepared in December 2004 estimated future revenues and expenditures for the General Fund and the subsidized funds for the present fiscal year, FY/05, and for FY/06 through FY/09.

The Five-Year Forecast projected the General Fund unreserved fund balance for the current fiscal year would be positive at \$25.8 million (plus \$5.9 million in FY/05 reserves including: \$2 million set aside by the City Council for FY/06 needs; \$1.5 million for the IRB settlement balance; \$1.5 million of Public Safety Quarter Cent funds for the anticipated processing facility; as well as the nuisance abatement and Tricentennial reserves). It also estimated that recurring revenues would exceed recurring expenses by \$10.2 million. Much of this was due to an unanticipated improvement in revenues in FY/04 and FY/05. In FY/06 the gap between General Fund recurring revenues and expenditures was projected to swing wildly to a negative \$32.2 million, producing an unreserved fund balance of negative \$18.3 million.

The \$18.3 million FY/06 projected gap had seven major causes. First, a gross receipts tax (GRT) reduction of 1/16th cent was assumed in

the Five-Year Forecast. Secondly, unanticipated GRT revenue growth in FY/04 and FY/05 included nonrecurring revenue from the State's audit compliance efforts that would not carry forward to FY/06. Third, the suspension of a transfer to fund storm drainage projects provided General Fund capacity in FY/04 and FY/05, but should be restored in FY/06 unless the City ordinance is amended. Fourth, the Five-Year Forecast estimated cost of operating CIP coming-on-line in FY/06 was \$13 million. This large amount was driven by the opening of the Balloon Museum, preparing for the Panda exhibit and operating the new 311 system. Also, the initiatives carried forward from FY/05 and/or added in FY/06 added \$5.5 million. Fifth, employee compensation was increased per the FY/05 budget and negotiated agreements with bargaining units. As agreed, 83% of employee insurance costs continued to be absorbed by the City as insurance premiums increased. Sixth, ongoing costs continue to increase as jail population increases and the cost of covering risk for a growing organization increases. Finally, the vacancy rate assumed for budgeting purposes (salary savings) was reduced to 0.5% for all departments and funds.

Closing the Gap

Department budget requests were discouraging. Departments made over \$56 million in issue paper requests: \$19.6 million in positive issues;

\$29.9 million in Public Safety Quarter Cent issues; and \$6.7 million in CIP coming-on-line requests. Fortunately, budget hearings revealed

several areas that could be reduced to close the \$18.3 million gap that had been forecast in December 2004. Although the Five-Year Forecast had ambitiously reduced the salary savings rate of 0.5%, analysis of actual data from March 1, 2005 revealed a General Fund vacancy rate of 9.96%, well above the FY/05 budgeted salary savings rate of up to 3.5% in some departments. The FY/06 General Fund budget retains the FY/05 salary savings rate of 3.5% for all departments except Fire, Police, Metropolitan Detention Center, Mayor, Chief Administrative Officer, Council Services, and Internal Audit which remain at 0.5% and Senior Affairs and Human Resources that are set at 1.0%. The increase in the salary savings rate

reduced the gap by approximately \$3 million. The cost of CIP coming-on-line was dramatically reduced from the \$13 million level projected in the Five-Year Forecast to \$4.3 million, creating approximately \$8.7 million in savings. By not incorporating a GRT reduction of 1/16th cent or a similar tax reduction, the gap was further reduced by \$7.6 million. The total of eliminating the salary savings adjustment of 0.5%, reducing CIP coming-on-line, and not funding a tax rate reduction closed the Five-Year Forecast projected gap. Combined with other reductions, sufficient capacity was created to fund necessary positive issue papers, including vehicle replacement.

Revenue and Expenditure Aggregates

The budget is built on the assumption that available revenue will increase 3.9% over the estimated actual level for FY/05. Expenditures in the FY/06 general fund budget are 10.6% greater than the estimated actual spending level for FY/05. The growth in expenditures is supported by the \$28.2 million fund balance available in FY/05, which supports the \$32.2 million non-recurring expenditure level in FY/06. By drawing down this non-recurring fund balance, a higher total level of spending is supported.

The large growth rate in both revenues and expenditures is driven by the growth in GRT, primarily the additional month of the Public Safety Quarter Cent Tax that began in FY/05. During the first year of a GRT imposition only 11 months are remitted to the municipality due to the lag between imposition, reporting to the State and distribution to the City. The Public Safety Quarter Cent GRT is expected to produce \$32.4 million dedicated to specific spending purposes.

Total recurring revenue exceeds recurring appropriations by \$7 thousand and is increasing at 4%, but recurring spending is increasing at 8%. Revenue from the growing Public Safety Quarter Cent Tax is recurring. That tax, along with the adoption of an ordinance to remove the dedication of the basic services quarter cent tax provide a basis for the final favorable balance between recurring revenue and recurring

appropriations. All capital expenditures are considered non-recurring.

The Basic Services Quarter Cent Tax directed a recurring transfer to Fund 305 for storm drainage, traffic engineering and street maintenance. The Basic Services Quarter Cent Tax was imposed in 1989. A portion of the tax was dedicated to public safety, social services and public works in the five year table for expenditures attached to the 1989 ordinance. The original legislation earmarked Public Works funding for preventative street maintenance and rehabilitation; equipment replacement; traffic engineering for signs and markings; and storm drainage maintenance and improvements. A 1994 resolution established the transfer to fund 305 for major paving rehabilitation, and traffic sign replacement and pavement markings in Public Works/Streets; and, storm drainage improvements, and North and South Valley Storm Drainage in Public Works/Storm Drainage. The legislation also directed that sufficient additional funds from the GO bond program, grants and other sources available be allocated to the North and South Valley storm drainage program. An attached table allocated funding through FY/04. In FY/04 and FY/05 the storm drainage portion of the transfer was suspended because the program had not spent previous transfers and approximately two years of funding was in cash balances. The FY/06 proposed budget fully funded the transfer to Fund 305 for basic services for the traffic engineering, street maintenance and storm

drainage program on a nonrecurring basis. However, the amount of the transfer was reduced by \$700 thousand in Council amendments. Legislation removing the

dedication of the Basic Services Quarter Cent Tax was introduced and passed and is included in this document in the sections entitled Appropriations and Legislation.

General Fund Revenue and Expenditure Aggregates				
GENERAL FUND (\$000's)	ESTIMATED ACTUAL FY/05	APPROVED BUDGET FY/06	\$ CHANGE From FY/05 EST ACTUAL	% CHANGE From FY/05 EST ACTUAL
REVENUE	406,418	422,425	16,007	3.94%
Total Recurring	398,311	414,176	15,865	3.98%
Nonrecurring	8,107	8,249	142	1.75%
EXPENDITURES	403,781	446,507	42,726	10.58%
Total Recurring	382,644	414,169	31,525	8.24%
Nonrecurring	21,137	32,338	11,201	52.99%
AVAILABLE FUND BALANCE	28,164	2	(28,162)	(99.99%)
RECURRING REVENUE LESS RECURRING EXPENDITURE	15,667	7		

In addition to the General Fund, there are other operating funds. These funds and their relationship to City goals are described in greater detail at the end of this section. However, in total, the City's operating budget, after eliminations in FY/06 is \$846.475 million.

All Other Funds Appropriations Aggregates			
TYPE OF FUND OTHER THAN GF (\$000's)	APPROVED BUDGET FY/05	APPROVED BUDGET FY/06	% CHG
Special Rev Funds Appropriated	77,721	85,769	10.35%
Spec. Rev Funds Not Appropriated	38,079	38,543	1.22%
Non Enterprise Debt Service Funds	87,162	81,325	-6.70%
Enterprise Funds	208,437	226,356	8.60%
Internal Service Funds	78,465	85,884	9.46%
Net Transfers	(105,480)	(117,909)	629.95%
TOTAL ALL OTHER FUNDS	384,384	399,968	4.05%

Significant Spending Initiatives

The General Fund budget increases expenditures \$42.7 million above the FY/05 estimated actual expenditure level, and \$44.7 million or 11.13% above the original FY/05 original budget. Other funds expenditures increased \$15,584 million or 4.05% from the FY/05 original budget to the FY/06 budget.

Expenditure expansions are sorted and presented by category below: technical adjustments, adopted issue papers, compensation, public safety quarter cent tax programs, and CIP coming-on-line.

Technical Adjustments. The incremental cost of technical adjustments made in the proposed budget account for a decrease in General Fund

cost of \$1.6 million. This unusual result was caused by removing all Public Safety Quarter

Cent Tax appropriations, both the recurring and nonrecurring portions, from the FY/05 base so that they can be separately identified in FY/06 appropriations.

In the enterprise funds, technical adjustments reflect the increased cost of benefits, early retirement and risk as seen in the General Fund. Debt service and capital transfers were also adjusted.

Major elements contained in technical adjustments by fund are listed below:

General Fund Technical Adjustments	
Total General Fund Technical Adjustments (\$000's)	(1,598.9)
Additions to FY/05 Base from Wages, Benefits, Positions and Annualized FY/05 Programs	12,587.5
Back-Out Public Safety 1/4 Cent FY/05 Funding	(26,189.6)
GF Risk and Workers' Compensation	2,051.4
Early Retirement	1,500.0
GF Debt Service & Lodgers Tax Transfer	(445.0)
Restore Storm Drainage Transfer	3,463.0
Reduce Basic Services Transfer	(700.0)
FY/05 One Time Fund 730 (Computer Replacement)	(2,000.0)
Transfer to Transit Operating Fund	6,042.0
Transfer to Corrections & Detention Fund	2,659.0
Open Space Rangers Transfer to GF	1,570.8
Transfer to Open Space	(1,116.5)
Operating Expense Adjustment for Utilities and Other	289.1
Fuel Cost Increases (GF Only)	808.1
Reduction in Convention Center Management Contract	(430.5)
Unification Election and Support Cost	(350.0)
One-time Capital	(1,406.7)
Net Other Adjustments	68.5

Other Non-General Fund Technical Adjustments (\$000's)

Employee Insurance Fund

Health and Dental Insurance Increase 6,893.0

Risk Management Fund

Unemployment Compensation Claims Increase 125.0

Fleet Safety Office Midyear Appropriation 68.0

Lodgers' Tax Fund

Adjustment for Promotion Contracts 48.0

Reduction in Transfer to Debt Service (637.0)

Hospitality Fee Fund

Adjustment for Promotion Contracts 70.0

Adjustment in Transfer to Debt Service 70.0

Air Quality Fund

One-time Capital (268.7)

City/County Building Fund

One-time Capital (110.0)

Corrections & Detention Fund

Early Retirement 1,525.5

Adjustment for Water Utility Debt Payment 50.0

Adjustment to Bern County for Services 137.0

Parking Fund

Transfer to Fund 645 860.0

Transfer to GF (PILOT & IDOH) (140.0)

Solid Waste Management Fund

Transfer to Water Utility Operating Fund (31.0)

Transfer to Corrections & Detention Fund 105.0

Transfer to Capital Fund 653 (500.0)

Transfer to Debt Service Fund 655 64.0

Transfer to GF 342.0

Transit Operating Fund

Six months add'l funding - Rapid Ride 1,715.3

Transfer to GF (PILOT AND IDOH) (148.0)

Transfer to Operating Grant Fund 663 (72.0)

Aviation Operating Fund

Transfer to GF (IDOH) (112.0)

Transfer to Airport Revenue Bond Debt Service Fund 615 1,750.0

Transfer to Airport Capital and Deferred Maintenance Fund 613 (3,850.0)

Adopted Issue Papers. The list below identifies the issues and department funded as well as the total amount of the funding provided

by fund. In the General Fund there is \$11.98 million in adopted issue papers funded.

Adopted Issue Papers	
General Fund Positive Issues (\$000's)	11,980.2
Office of Volunteerism (CAO)	8.0
Election 2005 (CAO)	487.8
IRB Settlement for Office of Economic Development Contractual Svcs (CAO)	291.0
Transfer to Vehicle/Equipment Replacement Fund (City Support)	3,778.0
Transfer to Solid Waste Dept. - War on Weeds (City Support)	700.0
Tricentennial, Music Festival, Twinkle Light, Tricentennial Art Exhibit (CSD)	862.4
Library Reclassifications (CSD)	91.3
Household Hazardous Waste, Methane Recovery, Montessa Park Well Recovery (EHD)	62.2
Animal Care Intake Specialists & General Scv. Worker, Spay/Neuter Services (EHD)	255.3
Mammal Management (EHD)	100.0
Voucher Funding for Emergency Shelter & Affordable Housing Opportunities (F&CS)	105.0
Increase Contract Services for Accounting & Property Tax Fees in Treasury (DFAS)	174.5
Call Center (DFAS)	1,592.5
GIS Support (DFAS)	75.9
Pass thru Liquor Lic. Revs & Reappropriate Capital funds at Convention Ctr. (DFAS)	300.0
Copier Lease for Training and Registration Fees for Job Fairs (HR)	11.1
Safe Cities Strike Force/DWI Enforcement & Public Access Channel (Legal)	115.3
Downtown Parking Facility Security (DMD)	97.3
Construction Inspectors and Pedestrian Street Lighting (DMD)	396.5
KIVA Permitting Software (DMD)	155.0
Off Leash Dog Park Operations and Mondo Indoor Track (PR)	189.2
Special Council District Plans (Planning)	750.0
Criminal Nuisance Abatement Inspectors (Police)	86.2
STOP Light Program (Police)	120.0
DWI Seizure Coordinator, Upgrade Evidence Unit Mgr, Crime lab staff -DNA (Police)	147.4
Equipment for FY/06 Attrition Class (Police)	221.0
Evidence Disposition Unit (Police)	68.9
Communications Support (Police)	114.0
Funding for Victim Assistance Unit and SID Funding to Replace Federal Funds (Police)	176.5
Net Add Communications Division Manager & Delete Personnel Officer (Police)	2.1
Overtime for Special Events & Tact Plans (Police)	410.0
State Senior Olympics & La Amistad Meal Site (SAD)	35.8

Changes in Employment: Full time positions are increased by a total of 240 from the FY/05 original budget level. Refer to Personnel

Summary section and Full Time Compliment by Department section in the Appendix for detail changes in positions by department.

Changes In Employment					
	ACTUAL FY/04	ORIGINAL BUDGET FY/05	REVISED BUDGET FY/05	ESTIMATED ACTUAL FY/05	APPROVED BUDGET FY/06
TOTAL EMPLOYMENT:	6,395	6,209	6,222	6,256	6,449
Numerical Change from Prior Yr	(231)	(186)	13	34	193
Percentage Change from Prior Yr	-3.6%	-3.0%	0.2%	0.5%	3.0%
COMPONENTS:					
General Fund	3,661	3,886	3,896	3,908	4,119
Enterprise Funds					
Aviation Fund - 611	261	260	260	260	262
Water/Sewer Fund - 621	515	0	0	0	0
Parking Facilities Fund - 641	36	36	36	39	39
Refuse Disposal Fund - 651	405	414	414	413	414
Transit - 661	407	496	496	496	500
Golf Fund - 681	38	38	38	38	38
Stadium Fund - 691	1	1	1	1	1
Total Enterprise Funds	1,663	1,245	1,245	1,247	1,254
Other Funds					
Air Quality Fund - 242	30	31	31	31	32
Corrections/Detention - 260	459	474	474	474	483
Gas Tax Road Fund - 282	59	59	59	59	59
Alarm Ordinance Fund - 287	5	5	5	5	5
City/Cnty Bld Operations - 290	20	20	20	20	20
Plaza del Sol - 292	7	7	7	7	7
Risk Management - 705	32	32	33	33	33
Supplies Inventory Mgmt - 715	9	9	9	9	9
Fleet Management - 725	54	54	54	54	54
Employee Insurance - 735	9	9	9	9	9
Communications Mgmt - 745	11	11	11	11	12
Open Space - 851	44	53	53	53	36
Total Other Funds	739	764	765	765	759
Grant Funds					
Community Development - 205	33	30	30	30	30
Operating Grants - 265	206	191	193	207	188
Housing Bond - 240	1	1	1	1	1
Transit Operating Grant - 663	22	22	22	22	22
Housing Authority - 805	70	70	70	76	76
Total Grant Funds	332	314	316	336	317

Compensation. Compensation increases in the FY/06 budget appear in the technical adjustments. Last year's adopted budget included two year compensation increases that were later negotiated with the bargaining units. Raises approved and negotiated in FY/05 and carried forward in FY/06 are: 4.8% for APD, Aviation and Open Space Officers; 3.2% for Fire; and 3.2% for all other series. In FY/04 the

City increased the share of health and dental cost it would pay for employees from 80% to 83%. It was continued in FY/05 and is continued in FY/06. The cost increase is the result of a 10% increase in the cost of insurance coverage, expanding the flex plan and absorbing the administrative fee, and adding a new vision benefit.

City Of Albuquerque Compensation Increases By Bargaining Unit							
	2006	2005	** 2004	2003	2002	2001	Total
CPI Urban	1.4%	1.5%	2.4%	2.1%	2.3%	3.4%	13.1%
Blue Collar - Local 624 - AFSCME, AFL-CIO	* 3.2%	* 3.2%	0.0%	0.0%	0.0%	7.7%	14.1%
Clerical and Technical - AFSCME 2962	3.2%	3.2%	0.0%	9.6%	0.0%	4.0%	20.0%
Fire Firefighters Union	3.2%	3.2%	0.0%	6.8%	3.0%	3.0%	19.2%
J Series - Security Staff	3.2%	3.2%	0.0%	3.3%	0.0%	6.5%	16.2%
J Series - Corrections Officers	3.2%	3.2%	0.0%	0.0%	0.0%	18.8%	25.2%
Bargaining Management	3.2%	3.2%	0.0%	1.9%	6.2%	5.0%	19.5%
Non-Bargaining Management	3.2%	3.2%	0.0%	1.9%	6.2%	5.0%	19.5%
Albuq. Police Officers Assoc.	3.9%	3.9%	0.0%	0.5%	6.5%	7.2%	22.0%
United Transportation - Local 1745	3.2%	3.2%	0.0%	4.9%	4.2%	9.2%	24.7%
* Per Administrative direction							
** Bonus negotiated with unions via MOU dependent upon years of service							

General Fund Public Safety Quarter Cent Tax Programs.

In October 2003, voters approved the Public Safety Quarter Cent Gross Receipts Tax. The legislation specified that 34% of the tax was to be used for APD projects, 6% for corrections and detention, 34% for emergency preparedness/AFD, and 26% for crime prevention and intervention. The list below details the General Fund appropriations totaling \$30 million, and the \$1.9 million reserve for future corrections and detention related centralized processing appropriations.

Since \$2 million of the tax was reserved in FY/05 only \$0.5 million in additional reserve is required to assure that 1/12th the appropriation level is reserved. The funding reserved for centralized processing is added to the \$1.5 million reserved for that purpose in FY/05. The Administration has issued an RFP to conduct a managed competition for arrestee transport services to the MDC in FY/06 from this reserve as a short term solution to issues that a centralized processing facility may eventually resolve. A recommendation of award is anticipated in early FY/06.

Public Safety Quarter Cent Tax Appropriations	
Total General Fund Quarter Cent Appropriations (\$000's)	30,044.0
Ongoing recurring costs and annualized cost for Station 21 & HTR (FR)	4,327.8
Rescue Unit at Station 20 for 2 months (FR)	123.9
Rehab & Renovation (FR)	200.0
Station 18 Renovation (FR)	100.0
Station 15 Renovation (FR)	100.0
Fire Academy Renovation (FR)	2,250.0
Cadet Class (FR)	80.2
Equipment (Logistics) (FR)	760.1
Vehicle Replacement (Logistics) (FR)	2,925.0
FIRE SUBTOTAL	10,867.0
FY/05 Expansion Class included in Base (Police)	1,962.8
FY/06 Expansion Class (Police)	6,453.1
On Going Replacement of Patrol Vehicles (Police)	1,566.2
On Going Replacement of Other Vehicles (Police)	486.9
Equipment (Police)	398.0
POLICE SUBTOTAL	10,867.0
Provide Health & Social Services (F&CS)	706.0
Provide Mental Health Services (F&CS)	2,139.0
Provide Substance Abuse Services (F&CS)	3,065.0
Family Violence Prevention & Intervention (F&CS)	500.0
Gang Intervention (F&CS)	1,200.0
Partner with Public Ed (F&CS)	700.0
FAMILY AND COMMUNITY SVC. SUBTOTAL	8,310.0
Quarter Cent Centralized Processing (Reserved)	1,918
SUBTOTAL (APPROPRIATED AND CORRECTIONS RESERVE)	31,962
ADDIITON TO GF RESERVE (ABOVE \$2 MILLION RESERVED IN FY/05)	458
TOTAL QUARTER CENT FY/06 REVENUE	32,420

General Fund CIP Coming-On-Line. In the Five-Year Forecast OMB staff estimated CIP coming-on-line would require \$13 million. Departments requested \$6.7 million for CIP coming-on-line in FY/06. The budget funds \$4.3 million of these requests. Some of the requests

were reduced as more realistic opening dates were assumed. Other requests were eliminated when departments discovered they were able to meet some non-recurring need by using FY/05 available funds. Funded requests are detailed below:

CIP Coming-On-Line	
Total General Fund CIP Coming-On-Line (\$000's)	4,278.7
Balloon Museum (CSD)	1,066.8
Museum Expansion (CSD)	405.9
Tingley Beach (CSD)	449.5
Japanese Gardens (CSD)	307.8
Asian Experience (CSD)	411.5
Australian Exhibit (CSD)	56.0
Groundwater Remediation (EHD)	50.0
West Mesa Community Center (F&CS)	264.0
Heights Community Center (F&CS)	16.7
Wells Park Community Center (F&CS)	3.4
Mesa Verde Community Center (F&CS)	16.8
John Marshall Cuidando los Ninos Bldg (F&CS)	12.7
Security Services Balloon Museum & Tingley Beach (DMD)	250.8
Open Space Projects (PR)	221.5
Parks(PR)	574.4
Senior Sports and Fitness Program (SAD)	144.3
Water Spray Park (SAD)	26.6
Transit Fund CIP Coming-On-Line (\$000's)	
Westside Transit Facility (TD)	360.8

FY/06 OPERATING BUDGET TOTAL RESOURCES

Total available resources for FY/06 of \$846.5 million is \$60.3 million or 7.7% more than the \$786.2 million estimated sixteen months ago for the originally approved FY/05 budget.

Gross Receipts Tax (GRT) makes up 36% of total resources in FY/05. This has increased from 30% in the FY/04 actual. The increase is due to the smaller enterprise share caused by the creation of a separate Albuquerque Bernalillo County Water Utility Authority (ABWUA) and the introduction of the new quarter cent public safety tax. The GRT experienced weak growth from FY/99 to FY/02. In FY/02 growth was near zero, due to the economic downturn both nationally and locally. Additionally, there is some erosion of the tax base as the surrounding cities neighboring communities develop retail and other business. Indian Gaming and Internet sales have also had a negative impact on revenue from this source. Growth has turned. It was 4.6% in FY/03, 9.2 in FY/04, estimated to be 14.2% in FY/05, and projected to be 4.8% in FY/06. The FY/05 growth includes the additional quarter cent tax for public safety.

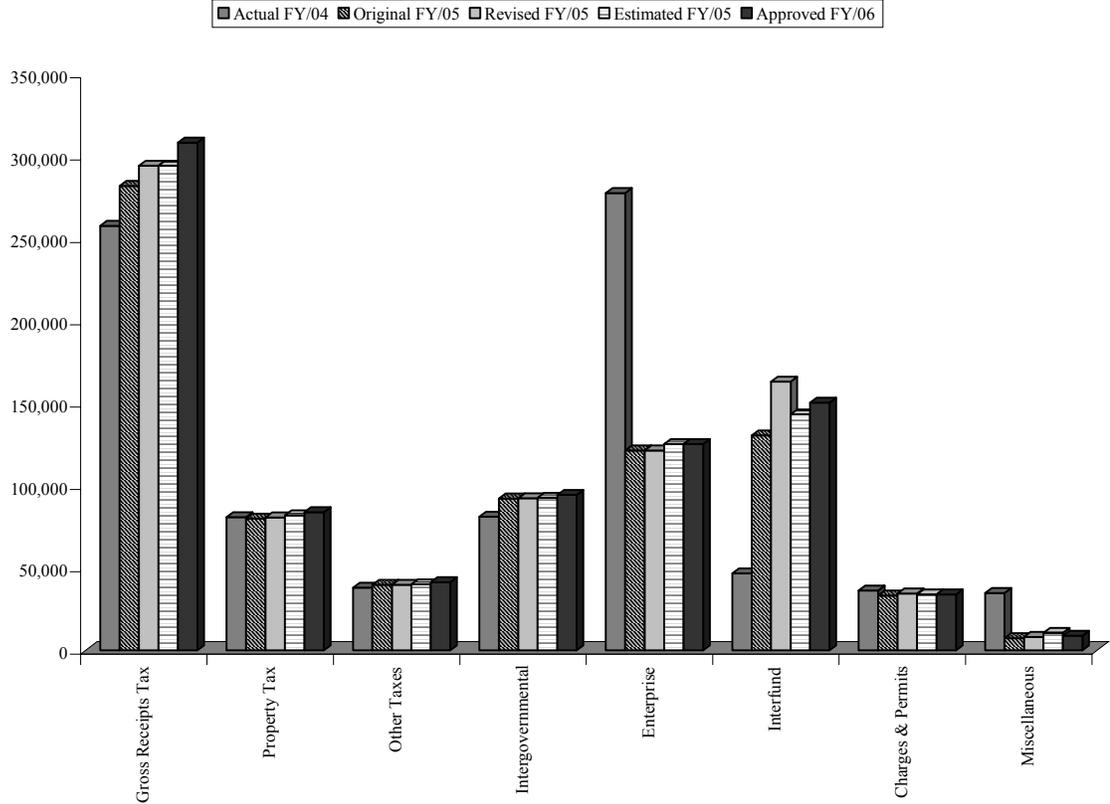
Enterprise revenues are another major source of revenue. The various enterprises the City operates generate 15% of the revenue in FY/06, down from 33% in FY/04, due to the creation of the ABWUA. The City operates solid waste collection and disposal, a transit system, parking lots and parking structures, four golf courses, and an international airport and a small airport as enterprise funds. In FY/06 the revenues in the approved budget are essentially unchanged from the estimated FY/05.

Property taxes make up only 10% of City revenues. The bulk of property taxes are imposed by referendum and used to retire bonds for capital projects.

GRT, enterprise revenues and property taxes make up about 61% of total revenues. Other revenue sources include intergovernmental revenues including grants, interfund transactions, various relatively minor tax sources, admission fees to various City operated facilities such as the Zoo and Aquarium, and fees to builders for inspection, permits, etc.

TOTAL RESOURCES (INCLUDING FUND BALANCE) AFTER INTERFUND ELIMINATIONS AND ADJUSTMENTS

Revenue Composition
(\$000's)



	Actual FY/04	%of Total	Original FY/05	%of Total	Revised FY/05	%of Total	Estimated FY/05	%of Total	Approved FY/06	%of Total
Gross Receipts Tax	257,801	30%	282,043	36%	294,347	35%	294,347	36%	308,414	36%
Property Tax	80,849	9%	79,933	10%	80,628	10%	82,064	10%	83,947	10%
Other Taxes	37,940	4%	39,721	5%	39,721	5%	40,085	5%	41,271	5%
Intergovernmental	81,152	10%	92,141	12%	92,292	11%	92,537	11%	94,301	11%
Enterprise	277,717	33%	121,323	15%	121,323	15%	125,255	15%	125,283	15%
Interfund	46,779	5%	130,528	17%	163,231	20%	143,259	17%	150,408	18%
Charges & Permits	36,305	4%	33,189	4%	34,452	4%	33,933	4%	33,972	4%
Miscellaneous	34,863	4%	7,309	1%	8,060	1%	10,555	1%	8,879	1%
Total Revenue	853,406	100%	786,187	100%	834,054	100%	822,035	100%	846,475	100%

Note: GRT includes state shared, Intergovernmental includes Federal Grants, County and State Shared revenue minus GRT; miscellaneous includes fines and forfeits and miscellaneous appropriated fund balance. Detailed information is provided in the Appendix.

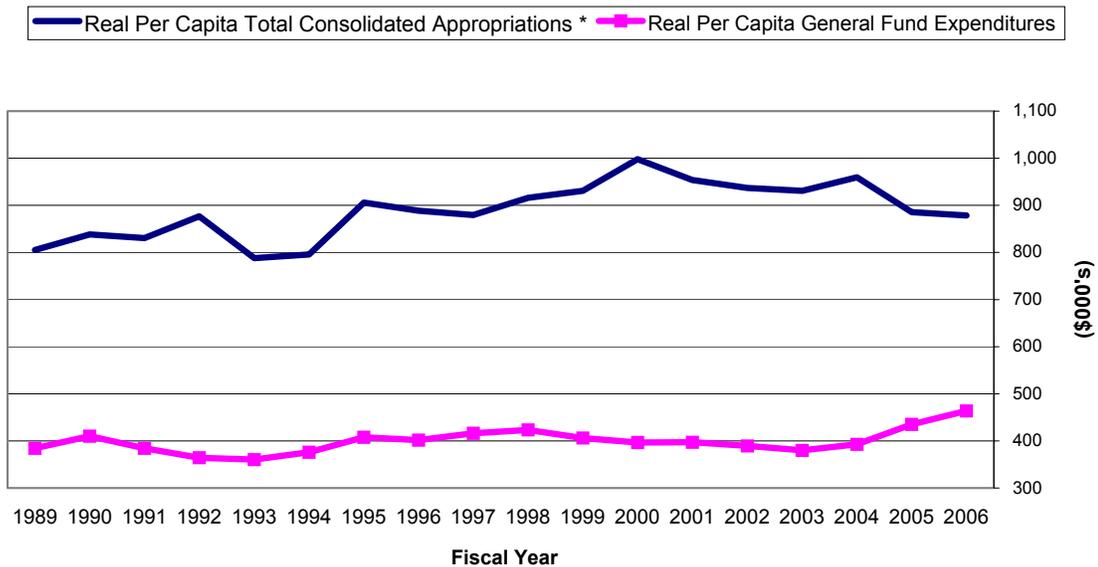
HISTORICAL PERSPECTIVE OF CITY APPROPRIATIONS

As a rule of thumb, a government's spending must keep up with increases in cost (inflation) and increases in the population to maintain the level of city services. Growth in total citywide appropriations had substantially exceeded this benchmark. However, the growth in GF expenditures has barely kept pace. In FY/05 and FY/06 the addition of the quarter cent public safety tax, allows for an increase of city services as the expenditure growth exceeds the inflation rate and population growth.

For the period FY/88 to FY/06 inflation, as measured by the Consumer Price Index, increased 80.64%, for an average of 3.0% a year. In the same period of time, population within the City of Albuquerque increased by 24.7%, for an annual average of 1.4%. The following chart plots real per capita (adjusted for inflation and population growth) appropriations and expenditures.

Real consolidated total appropriations include appropriations from all funds (general, enterprise, special revenue, debt service and internal service) after interfund eliminations. Real per capita consolidated total appropriations increased 15.7% from FY/88 to FY/06 for an average annual growth rate of 0.7%. The increase is limited again due to the exclusion of the Water Authority in FY/05. General Fund real per capita expenditures showed only a slight increase of 20.0% over the entire period FY/88 to FY/05. On an annual basis, this is growth of only 0.92% per year, indicating that General Fund expenses increased only slightly faster than population plus inflation. The bulk of this gain was picked up in FY/04 with a shift of one-mil in property tax to the general fund and in FY/05 with the introduction of the quarter cent tax for public safety.

**Real Per Capita Total Consolidated Appropriations and
General Fund Expenditures**



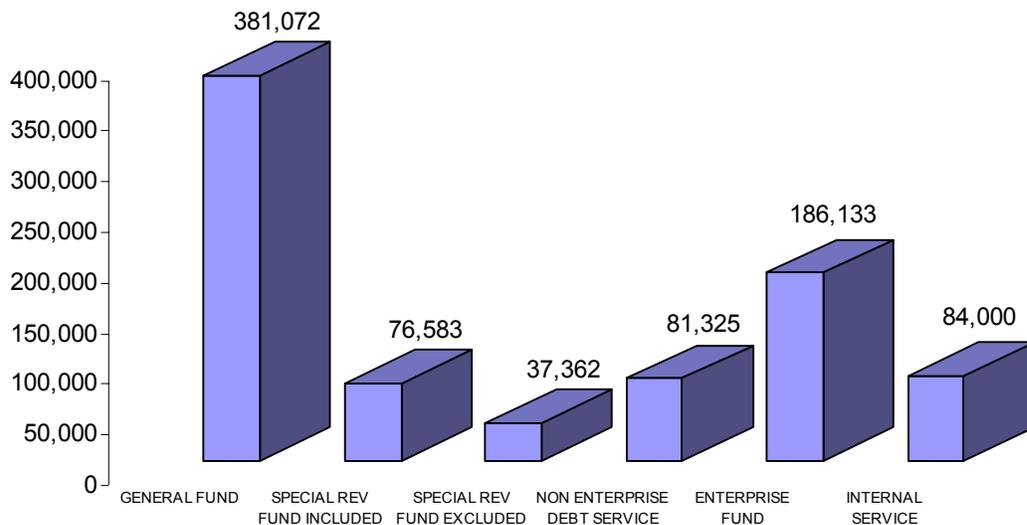
* Consolidated appropriations are appropriations from all funds after interfund eliminations
2005 represents estimated actual, 2006 the approved budget.

SPENDING BY FUND TYPE

The city operating Budget appropriates the General Fund, the largest fund individually and by type. There are 15 Special Revenue Funds Included, which are funds received that have special restrictions on their use and are to be distinguished from three other special revenue funds that are not appropriated in the annual budget and referred to as Special Revenue Fund Excluded. Three Non-Enterprise Debt Service funds, 14 Enterprise Funds, five Internal

Service Funds are appropriated. The Appendix contains a Numeric List of Fund names by Category. In using the list in the Appendix, it should be noted that the one Trust and Agency Fund appropriated is included in the category of Special Revenue Fund Included. This budget documents presents fund tables and highlights organized in the categories graphed below and demonstrating the relative size of total appropriations by type of fund.

FY/06 Net Appropriations by Fund Type all Funds
Total \$846,475
(\$000's)

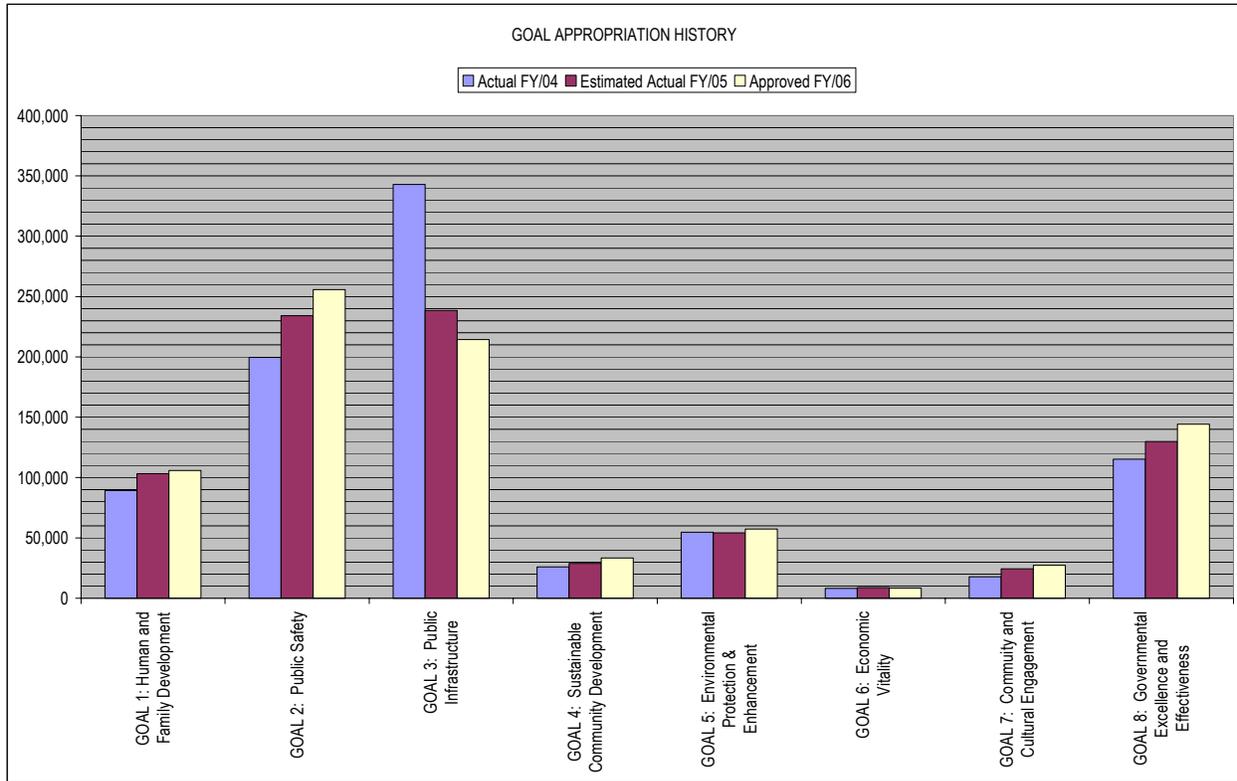


SPENDING BY GOAL

The entire operating budget of the City of Albuquerque can be examined by goal. Albuquerque builds budgets at the service activity level. Groups of service activities form program strategies. Program strategies are sets of governmental activities and services designed to impact desired community conditions associated with City goals. Since appropriations are made at the program strategy level, and program strategies are associated with one of eight City goals, expenditure histories by goal

can assist in understanding relative funding. A table outlining a three year funding history of each goal by program strategy can be found in the appendix.

The table entitled FY/06 Operating Budget by Goal, Department and Fund is discussed in this narrative. Examination of this table aids in understanding where City operating funds come from and where they are spent.



Goal 1: Human and Family Development include programs in the Cultural Services, Family and Community Services, Parks and Recreation and Senior Affairs departments. Roughly 40% of the funding is from the General Fund, 20% from Special Revenue Funds not Appropriated for grants in Family and Community Services and Senior Affairs, and 35% is from Enterprise Funds that support operations of City apartments, the housing authority and golf courses.

Goal 2: Public Safety includes the Environmental Health, Family and Community Services, Fire, Legal, Metropolitan Detention Center, and Police departments. The majority of the funding for this goal is provided from the General Fund which supports large funding efforts in the Police and Fire Departments. Special Revenue Funds Appropriated reflect the County and City equally shared contributions to a separate corrections fund to finance the operation of the Municipal Detention Center. Grants for the Police, Family and Community Services, Metropolitan Detention Center departments are seen in Special Revenue not Appropriated.

Goal 3: Public Infrastructure includes program strategies in the Aviation, City Support Functions, Municipal Development, and Transit departments. Aviation and Transit are very large enterprise funds, although Transit receives most of its operational funding from a General Fund transfer. City Support is responsible for making the General Fund debt service payments as can be seen in the large amount in Non Enterprise Debt Service Funds. State grant funding for roads is reflected in this goal. Goal 3 funding was significantly reduced when water and sewer utility operations were moved to the Albuquerque Bernalillo Water Utility Authority in FY/05.

Goal 4: Sustainable Community Development includes program strategies in Family and Community Services, Municipal Development, and more significant funding to the Parks and Recreation, and the Planning departments. The majority of the funding for this goal comes from the General Fund with grants in Family and Community Services providing some support.

Goal 5: Environmental Protection and Enhancement includes program strategies in Environmental Health, Parks and Recreation,

and Solid Waste departments. The largest funding source for this goal is the enterprise revenue from the Solid Waste Utility. Special Revenue Funds from air quality operating permits and the vehicle pollution management program support Environmental Health programs and open space expendable trust funds support open space programs in the Parks and Recreation Department.

Goal 6: Economic Vitality is the smallest goal with respect to total funding and includes programs in the Aviation, Chief Administrative Officer, City Support Functions, Family and Community Services and Finance and Administration Departments. The Lodger's Tax and the Hospitality Fee support the special revenue appropriations. The revenue from the tax and fee is used to make debt service and purchase necessary capital for the Albuquerque Convention Center and promote tourist related events within the City. General Fund appropriations in the CAO and Finance and Administrative Services Departments support the Office of Economic Development and the Convention Center, respectively.

Goal 7: Community and Cultural Engagement includes program strategies in the Chief Administrative Officer, Cultural Services and Senior Affairs Departments. The primary funding source is the General Fund accounting for over 89% of goal funding. Special Revenue Funds in the goal are comprised of project funds for culture and recreation and the BioPark.

Goal 8: Governmental Excellence and Effectiveness contains program strategies in the Chief Administrative Officer, City Support Functions, Council Services, Finance and Administrative Services, Human Resources, Legal, Mayor's Office, Municipal Development, and Office of Internal Audit Departments. General fund appropriations account for approximately 40% of goal funding. General Fund appropriations finance the various administrative services provided to City operations. Internal service funds collected for the provision of telephone and radio services as well as the employee contributions to health insurance are reflected in the internal service funds within the goal and account for nearly 60% of goal funding.

FY/06 OPERATING BUDGET BY GOAL, DEPARTMENT AND FUND

GOAL/DEPARTMENT	% of Total	General Fund	Special Rev Funds Approp	Spec. Rev Funds Not Approp	Non Enterprise Debt Service Funds	Enterprise Funds	Internal Service Funds	Net Transfers	TOTAL
Goal 1 - Human and Family Development									
Cultural Services		11,187	249	47					11,483
Family & Community Svcs.		25,696		15,992		35,557		(945)	76,300
Parks and Recreation		4,802	290	136		4,281		(1,027)	8,482
Senoir Affairs		4,889		4,646					9,535
Sub Total	12.5%	46,574	539	20,821	0	39,838	0	(1,972)	105,800
Goal 2 - Public Safety									
CAO Dept.				181					181
Environmental Health		6,678							6,678
Family & Community Svcs.		7,020		2,009					9,029
Fire Department		62,984	1,100	698					64,782
Legal		985							985
Metro Detention Center		24,138	49,316	1,219				(25,578)	49,095
Police Department		119,774	764	4,689				(145)	125,082
Sub Total	30.2%	221,579	51,180	8,796	0	0	0	(25,723)	255,832

FY/06 OPERATING BUDGET BY GOAL, DEPARTMENT AND FUND (continued)

GOAL/DEPARTMENT	% of Total	General Fund	Special Rev Funds Approp	Spec. Rev Funds Not Approp	Non Enterprise Debt Service Funds	Enterprise Funds	Internal Service Funds	Net Transfers	TOTAL
Goal 3 - Public Infrastructure									
Aviation						88,082		(20,684)	67,398
City Support Functions		1,666			81,325			(2,366)	80,625
Municipal Development		28,492	5,171			10,195		(8,709)	35,149
Transit Department		21,931		919		31,750		(23,390)	31,210
Sub Total	25.3%	52,089	5,171	919	81,325	130,027	0	(55,149)	214,382
Goal 4 - Sustainable Community Development									
Family & Community Svcs.				2,985					2,985
Municipal Development		3,306							3,306
Parks and Recreation		13,522							13,522
Planning		13,535							13,535
Sub Total	3.9%	30,363	0	2,985	0	0	0	0	33,348
Goal 5 - Environmental Protection & Enhancement									
Environmental Health		3,019	2,982	3,238				(130)	9,109
Parks and Recreation		1,763	2,610					(1,763)	2,610
Solid Waste				594		53,485		(8,469)	45,610
Sub Total	6.8%	4,782	5,592	3,832	0	53,485	0	(10,362)	57,329
Goal 6 - Economic Vitality									
Aviation						30			30
CAO Dept.		2,535						(1,085)	1,450
City Support Functions		150						(150)	0
Family & Community Svcs.		47							47
Finance & Admin. Svcs.		1,878	10,482					(5,448)	6,912
Sub Total	1.0%	4,610	10,482	0	0	30	0	(6,683)	8,439
Goal 7 - Community & Cultural Engagement									
CAO Dept.		1,555							1,555
Cultural Services		22,672	2,050						24,722
Senoir Affairs				893					893
Sub Total	3.2%	24,227	2,050	893	0	0	0	0	27,170
Goal 8 - Governmental Excellence & Effectiveness									
CAO Dept.		3,001							3,001
City Support Functions		18,505						(8,281)	10,224
Council Services		2,105							2,105
Finance & Admin. Svcs.		18,186	4,978	297			42,312	(1,819)	63,954
Human Resources		2,287					43,572	(147)	45,712
Internal Audit & Invest.		1,203							1,203
Legal		5,508							5,508
Mayors Office		812							812
Municipal Development		10,676	5,777			2,976		(7,104)	12,325
Grants Indirect Overhead								(669)	(669)
Sub Total	17.0%	62,283	10,755	297	0	2,976	85,884	(18,020)	144,175
TOTALS	100.0%	446,507	85,769	38,543	81,325	226,356	85,884	(117,909)	846,475

